Office of the City Manager

MEMORANDUM

Date: June 8, 2009

To: Mayor and City Council

Through: Donna Dreska, City Manager

From: Maureen McKissick, Grant and Fund Development Manager

Subject: Recovery Act Economic Development Tools

The American Recovery and Reinvestment Act (ARRA) created some new resources for economic development. There are new bond programs and increased authorization levels for existing bond programs which are intended to provide fiscal relief for local governments.

In light of inquiries that Council has been receiving, staff is providing the matrix below summarizing these opportunities. This information is being distributed at the request of a Councilmember. Staff in the Finance Department and the City Manager's Office is working closely with bond counsel to obtain additional information on the implementation of these programs.

Program	Description	ARRA-Specific Resources
Elimination of the Alternative Minimum Tax (AMT	Formerly, interest on tax-exempt private activity bonds was generally subject to AMT which limited the marketability of the bonds; the AMT forced states and local government to issue the bonds at higher interest rates. In 2008, Congress excluded tax-exempt housing bonds from the AMT.	The ARRA extended the exclusion to all remaining categories of tax-exempt bonds that are issued in 2009 or 2010.

“Build America” bonds	Build America bonds differ from tax-exempt bonds in two principal ways: • Interest paid on tax credit bonds is taxable • A portion of the interest paid on tax credit bonds takes the form of a federal tax credit The federal tax credit offsets a portion of the cash interest payment that the state or local government would otherwise need to make on the borrowing.	The ARRA provides local governments with the option of issuing a tax credit bond instead of a tax-exempt G/O bond, allowing the local governments to elect to receive a direct payment from the feds equal to the subsidy that would have otherwise been delivered through the tax credit bonds issued in 2009 and 2010.
“Recovery Zone” bonds	Each state will receive a share of the national allocation based on that state’s jobs losses in 2008 as a percentage of national job losses in 2008. The state allocation will be sub-allocated to local municipalities. Municipalities must use the bonds to invest in infrastructure, job training, education, and economic development in areas within the boundaries of the city that have significant poverty, unemployment, or home foreclosures.	The ARRA authorizes 1) $10 billion in Recovery Zone bonds for *economic development*, and 2) $15 billion in Recovery Zone bonds for *facility improvement*. The bonds must be issued in 2009 and 2010. Nevada will receive .09% of both Recovery Zone bonds. Local distribution schemes are not yet in place. The Dept. of the Treasury has not yet released its guidance.
New Markets tax credits	The New Market Tax Credit Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Financial Institutions (CDFI’s). The qualified equity investment must in turn be used by the CDFI to provide investments in low-income communities. Reno does not have its own CDFI. To my knowledge, Reno has no New Market-funded projects to date.	The ARRA authorizes an additional $1.5 billion for the 2008 allocation round and an additional $1.5 billion for the 2009 allocation round. Tax credits for 2009 allocations would be allowed against the AMT.

Qualified Energy Conservation Bonds	This new bond program authorizes state, municipal and tribal governments to make loans and grants for capital expenditures to implement community programs that reduce greenhouse emissions.	ARRA authorizes $2.4 billion.
Clean Renewable Energy Bonds (CREB's)	First authorized in 2007, this program creates revenue-only tax-credit bonds that can be used by states and local government to finance facilities and retrofits that generate electricity from wind, closed-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewables, and trash compaction. The City applied for and received authority from US Treasury for up to $8.6 million in CREB's. The City has not yet acted on them, although the projects under consideration have been identified.	ARRA authorizes an additional $1.6 billion in CREB's, with 1/3 available for qualifying projects of state/local/ tribal governments, 1/3 for public power providers, and 1/3 for electric cooperatives.
Low-Income Housing Tax Credits	Taxpayers are allowed to claim a low-income housing tax credit for certain investments made in low-income housing. These credits attract private capital to invest in construction, acquisition, or rehab of qualified low-income buildings. Current economic conditions have severely undermined the effectiveness of these tax credits.	ARRA allows taxpayers to receive a grant from the Dept. of the Treasury in lieu of tax credits. State housing agencies would receive up to 85% of 40% of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. Subawards are subject to the same requirements (including rent, income and use restrictions on such buildings) as the low-income tax credit allocations. The grant program applied to each state's 2009 low-income housing tax credit allocation.